

UNITED STATES DISTRICT COURT  
WESTERN DISTRICT OF WASHINGTON AT SEATTLE

YEI A. SUN and LIPING M. SUN, husband  
and wife; and HAIMING OWEN SUN, an  
individual,

Plaintiffs,

v.

ADVANCED CHINA HEALTHCARE, INC.,  
a Cayman Islands company; and ALICIA KAO,  
an individual,

Defendants.

No.

**COMPLAINT**

JURY DEMAND

For their Complaint, Plaintiffs allege as follows:

**INTRODUCTION**

This is an action under the Washington State Securities Act, RCW § 21.20.005 *et seq.* (“WSSA”), to rescind the purchase and sale of stock in Defendant Advanced China Healthcare, Inc.

**I. PARTIES**

1. Plaintiffs Yei A. (“Albert”) Sun and Liping M. Sun are husband and wife and are residents of the State of Washington.

2. Plaintiff Haiming Owen Sun is a resident of the State of Washington.

3. Defendant Advanced China Healthcare, Inc. is a Cayman Islands company.

1           4. Defendant Alicia Kao is a resident of the State of California.

2                                   **II. JURISDICTION AND VENUE**

3           5. This Court has subject matter jurisdiction under 28 U.S.C. § 1332(a). The  
4 amount in controversy exceeds the sum or value of \$75,000, exclusive of interest and costs, and  
5 Plaintiffs and Defendants are citizens of different states.

6           6. Venue in this judicial district is proper under 28 U.S.C. § 1391(b)(2). A  
7 substantial part of the events or omissions giving rise to the claims herein occurred in this  
8 judicial district.

9                                   **III. FACTUAL ALLEGATIONS**

10          7. On or about December 23, 2010, Defendant Alicia Kao traveled to Seattle,  
11 Washington where she met with and solicited Plaintiffs to invest in Defendant Advanced China  
12 Healthcare, Inc. (“ACH”) in its Series B offering.

13          8. Kao represented that she was the President and an officer of ACH. Kao also  
14 represented that she was the President and CEO of American Surgery Centers and American  
15 Sports Medicine Centers.

16          9. In the course of her solicitations to Plaintiffs, Kao represented, *inter alia*, that (a)  
17 she was the President of ACH; (b) ACH was formed to provide Western-style medical services  
18 in China, including sports medicine, pain management, physical therapy and men’s health, and  
19 would be providing such services to a growing market of Chinese nationals and expatriates; (c)  
20 ACH was an established and well-funded entity, *e.g.*, (i) ACH had received initial angel  
21 funding in in 2005 and also subsequent substantial series seed funding, and (ii) Paul Hastings  
22 LLP and Robert A. Claassen were legal counsel to ACH and ACH had an office at Paul  
23 Hasting’s Palo Alto offices; (d) all necessary government licenses and permits had been  
24 granted to ACH and the first ACH medical center would open in Shanghai in March 2011, with  
25 additional medical centers in Beijing, Pudong, and Hangzhou to open in 2012; (e) ACH had an  
26 established team of top surgeons, including Series A shareholders such as Dr. Thomas Clanton,  
27 who was Yao Ming’s physician, numerous professionals affiliated with the Andrews Sports

1 Medicine and Orthopaedic Center, the Chairman and former Chairman of the Department of  
2 Orthopaedic Surgery for the University of Texas Health Science Center at Houston, and  
3 surgeons for numerous professional athletes; and (f) ACH had strategic partnerships with (i)  
4 GE Healthcare China, (ii) Shanghai Housing, Inc., (iii) the European Academy of Anti-Aging  
5 and Longevity Medicine, (iv) the American Orthopaedic Society for Sports Medicine, (v)  
6 Siemens Healthcare Systems, and (vi) Smith & Nephew PLC.

7 10. In the course of solicitations to Plaintiffs to invest in ACH, Kao represented that  
8 all funds would be used for the development of medical centers in China. Kao further  
9 represented that a healthcare venture fund based in Alabama, Brookline ACH Investment Fund,  
10 LLC, had engaged in extensive due diligence of ACH and, as a result, was investing in ACH's  
11 Series B offering.

12 11. In late December 2010 and early January 2011, Plaintiff Albert Sun had email  
13 and telephone communications with Robert A. Claassen, who was, at the time, a partner in Paul  
14 Hastings LLP and resident in the firm's Palo Alto, California office, where he was the Chair of  
15 the corporate department.

16 12. On or about December 23, 2010, Claassen sent a PowerPoint "Investor  
17 Presentation" to Plaintiff Albert Sun.

18 13. In the course of his communications with Sun, Claassen also represented, *inter*  
19 *alia*, that (a) ACH was a good investment, (b) he had personally invested in ACH, (c) Paul  
20 Hastings was invested in ACH, (d) he wasn't charging ACH for his services, and (e) extensive  
21 due diligence regarding ACH had been done by the Brookline fund.

22 14. On or around January 6, 2011, and in reasonable and justifiable reliance on the  
23 representations of Kao, Albert Sun and Liping M. Sun executed a Series B Preference Share  
24 Purchase Agreement, pursuant to which the Suns invested \$1,400,000 in ACH.

25 15. On or about January 6, 2011, and in reasonable and justifiable reliance on the  
26 representations of Kao, Owen Sun executed a Series B Preference Share Purchase Agreement,  
27 pursuant to which Sun invested \$1,400,000 in ACH.

1           16.     On or about January 11, 2011, and in reasonable and justifiable reliance on the  
2 representations of Kao, Plaintiffs sent by wire transfer a total of \$2,800,000 to Paul Hastings’  
3 IOLTA account in Los Angeles, California.

4           17.     In October 2012, an attorney at Paul Hastings working under the direction of  
5 Claassen provided Owen Sun with a capitalization table for ACH, which capitalization table  
6 purported to list “Authorized Capital Stock” for ACH and included a schedule of purported  
7 Series B Preference Shareholders, including Albert Sun, Liping Sun, and Owen Sun, as well as  
8 the Brookline fund.

9           18.     In January 2013—some two years after Plaintiffs’ investment—Paul Hastings  
10 sent Owen Sun a stock certificate ostensibly representing his ownership of Series B Preference  
11 Shares in ACH. Plaintiffs Albert Sun and Liping Sun have never received any such stock  
12 certificate.

13           19.     In December 2014, Plaintiffs learned that (a) they were not listed in ACH’s  
14 registry of stockholders as maintained by Maples and Calder, ACH’s Cayman Islands counsel;  
15 and (b) according to Maples and Calder’s records, no Series B Preference Shares were ever  
16 authorized or issued by ACH. Additionally, Dr. Thomas Clanton was not a Series A  
17 shareholder according to Maples and Calder’s records.

18           20.     In or around January 2015, Plaintiffs discovered that, contrary to Kao’s prior  
19 representations, ACH’s prior financial records were fabricated and incorrect, ACH had not  
20 received series seed funding as represented, and Plaintiffs’ investment monies have not been  
21 used for the development and opening of medical centers. Instead, on information and belief,  
22 Kao converted and misappropriated Plaintiffs’ investment monies for her own use and/or to  
23 cover up her prior theft and misappropriation of series seed funding and/or other investment  
24 funds.

#### 25                                   IV.     CAUSES OF ACTION

26           21.     Plaintiffs reallege and incorporate by reference the allegations of Paragraphs 1 –  
27 20 above.

22. RCW § 21.20.010 provides that  
[i]t is unlawful for any person, in connection with the offer, sale or purchase of any security, directly or indirectly:

- (1) To employ any device, scheme, or artifice to defraud;
- (2) To make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading; or
- (3) To engage in any act, practice or course of business which operates or would operate as a fraud or deceit upon any person.

23. Kao's representations to Plaintiffs on behalf of ACH comprised violations of RCW § 21.20.010.

24. ACH is liable to Plaintiffs as a "seller" of securities under RCW § 21.20.430(1).

25. Kao is liable to Plaintiffs as a control person of ACH under RCW § 21.20.430(3).

26. Additionally, or in the alternative, Kao is liable to Plaintiffs as a "seller" under RCW § 21.20.430(1) because her conduct was a substantial contributive factor in Plaintiffs' purchase of ACH stock.

## V. JURY DEMAND

In accordance with Fed.R.Civ.P. 38 and LCR 38(b), Plaintiffs hereby demand a trial by jury trial for all issues so triable.

## VI. PRAYER FOR RELIEF

WHEREFORE, Plaintiffs respectfully request that the Court grant the following relief:

- A. Judgment against Defendants, jointly and severally, under the WSSA;
- B. Rescission of their purchase of stock in ACH and payment in the amount of their purchase price of \$2,800,000, together with interest on that amount at the rate of 8% per annum, or rescissionary damages in the same amount;
- C. An award of attorneys' fees and costs in accordance with RCW § 21.20.430 and as otherwise permitted by law; and
- D. For any other relief that the Court deems just and proper.

1 DATED: August 28, 2015.

2 **SAVITT BRUCE & WILLEY LLP**

3  
4 By: /s/ Stephen C. Willey

5 By: /s/ Matthew H. Rice

6 Stephen C. Willey, WSBA #24499

7 Matthew H. Rice, WSBA #44034

8 1425 Fourth Avenue, Suite 800

9 Seattle, WA 98101-2272

10 Tel: (206) 749-0500; Fax (206) 749-0600

11 Email: [swilley@sbwllp.com](mailto:swilley@sbwllp.com)

12 [mrice@sbwllp.com](mailto:mrice@sbwllp.com)

13  
14 *Attorneys for Plaintiffs*